Results for the 32nd business period
(Fiscal Year Ending March 31st, 2016)

TechMatrix Corporation
May 27th, 2016

Contents

1. **Business Highlights for the 32nd Business Period**

2. **Progress of the Medium-Term Management Plan "TMX 3.0" and Results for 32nd Business Period**

3. **Topics of Business activities**

4. **Business Models**

5. **Market Conditions for our business**
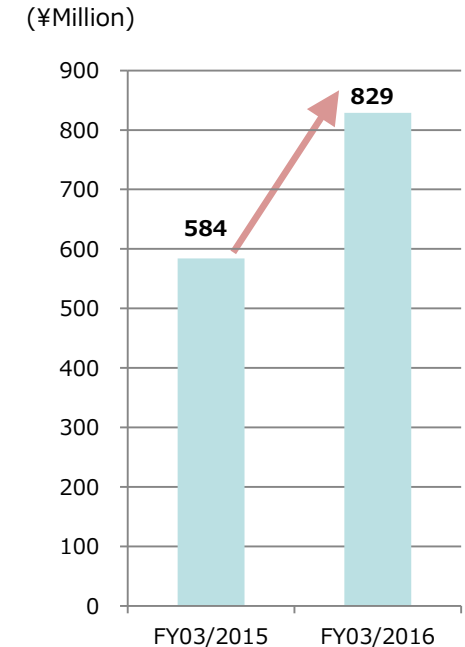
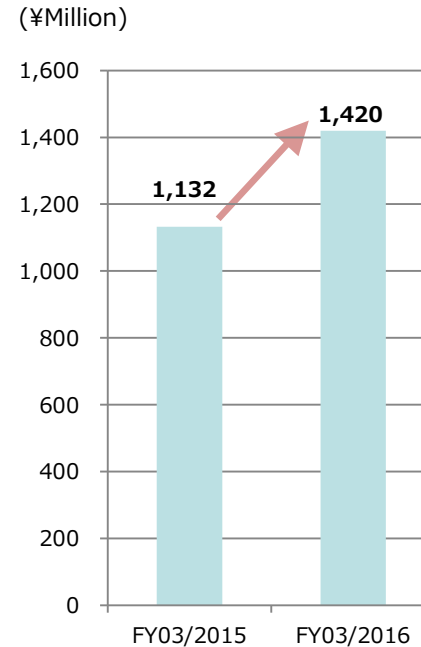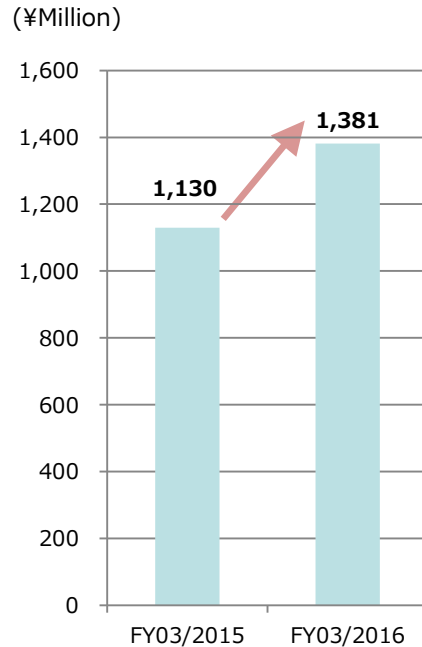# Business Highlights for 32nd Business Period

TechM@trix

◆ **The highest consolidated net sales ever recorded**
◆ **Earnings growth driven by progress of cloud business**

| Net sales ¥20,920M Year on year up 13.6% | Operating income ¥1,381M Year on year up 22.2% | Ordinary income ¥1,420M Year on year up 25.4% | Profit attributable to owners of the parent ¥829M Year on year up 41.9% |

(¥Million)

Net sales

18,417 (FY03/2015) → 20,920 (FY03/2016)

(¥Million)

Operating income

1,130 (FY03/2015) → 1,381 (FY03/2016)

(¥Million)

Ordinary income

1,132 (FY03/2015) → 1,420 (FY03/2016)

(¥Million)

Profit attributable to owners of the parent

584 (FY03/2015) → 829 (FY03/2016)

Net sales (¥Million)

Application Services Business

Information Infrastructure Business

695

1,807

18,417

20,920

FY03/2015   **FY03/2016**

Operating income (¥Million)

Application Services Business

Information Infrastructure Business

149

102

1,130

1,381

FY03/2015   **FY03/2016**
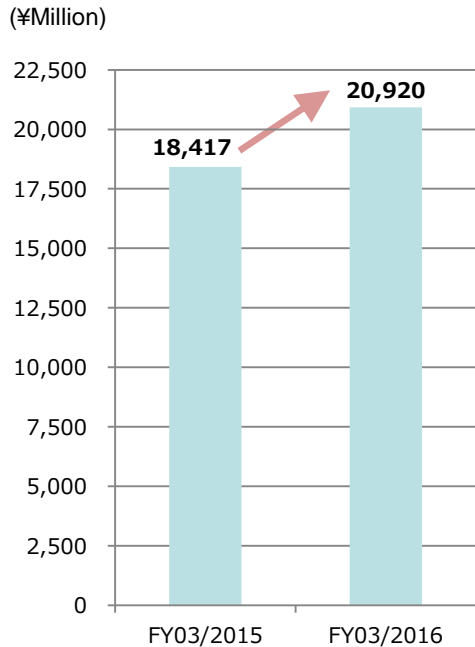
Business Highlights for the 32nd Business Period (Consolidated)

TechMatrix

Net Sales

◆Information Infrastructure Business	Year on year
Load balancers	☀ (+5% ~ +10%)
Security-related products	☀☀ (+10% and over)
Business for governments and public agencies	☀☀ (+10% and over)
Operation and monitoring services	☀☀ (+10% and over)
Storage products	⛅ (within +5%)
CROSS HEAD & Okinawa Cross Head	☀ (+5% ~ +10%)
◆Application Services Business	Year on year
Internet Service field (Including CASAREAL)	⛅ (within +5%)
Software Quality Assurance field	☀☀ (+10% and over)
Healthcare field (Including Ichigo)	☀☀ (+10% and over)
CRM field	☀☀ (+10% and over)

Legend: ☀☀ +10% and over　☀ +5% ~ +10%　⛅ within +5%　☁ within △10%　🌧 under △10%

5

Copyright (c) 2016 TechMatrix Corporation. All rights reserved.

TechM@trix

Progress of the number of medical facilities using NOBORI

（facility）

about 450

about 300

about 150

about 50

FY03/2013   FY03/2014   FY03/2015   FY03/2016
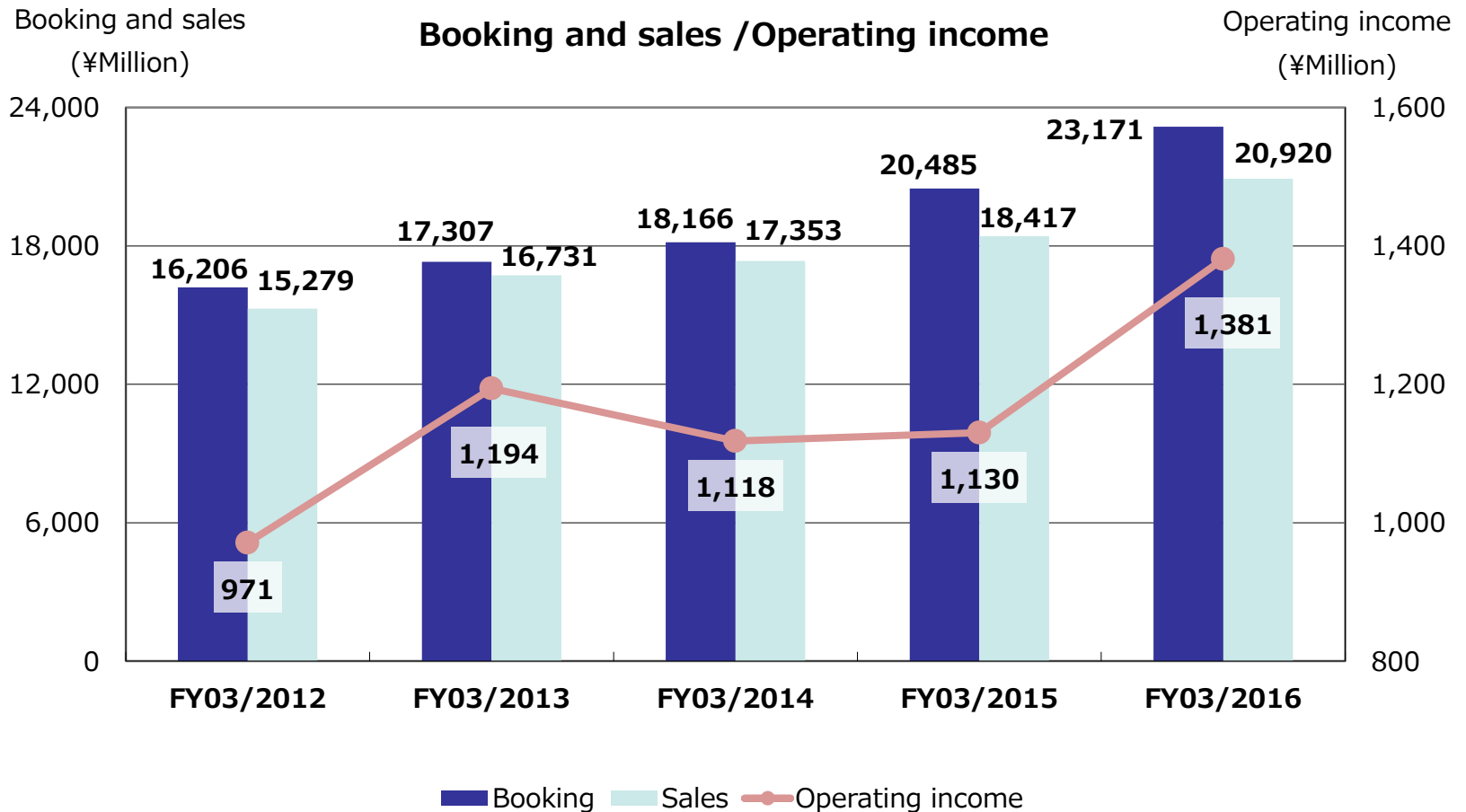
<Legislation related to security>
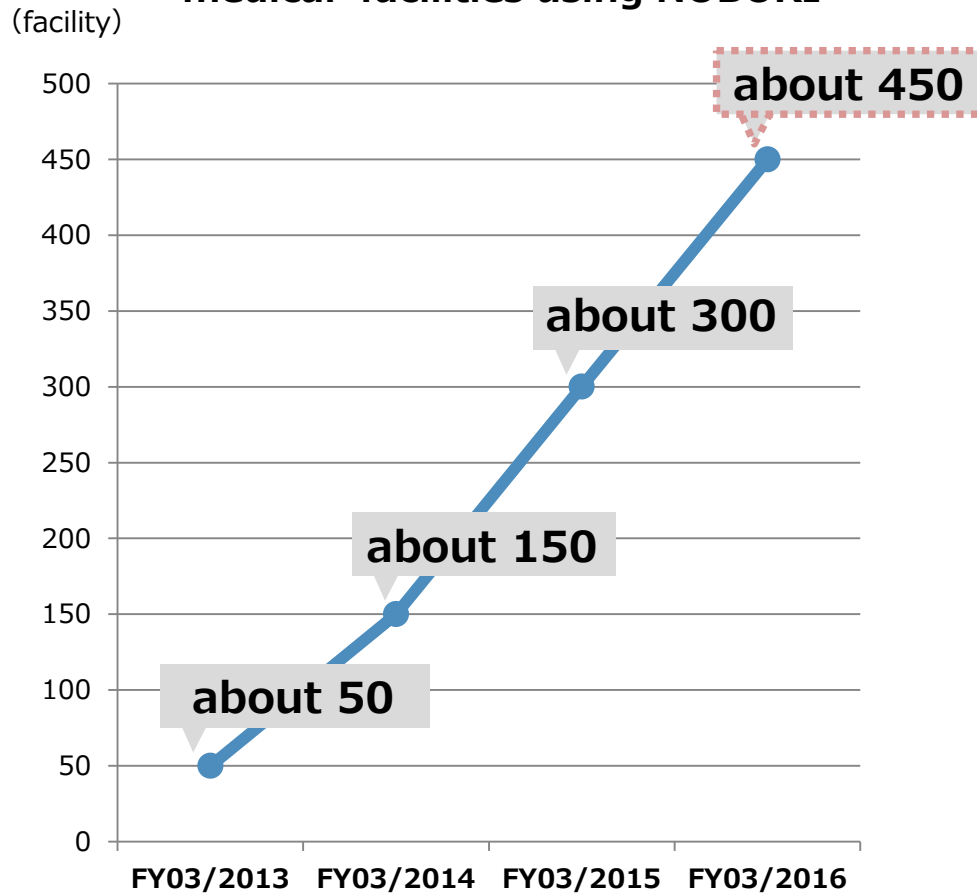
March 2015
MIC:
Security guideline

December 2015
METI:
Cybersecurity Management Guidelines

March 2016
METI:
Information Security Management Standards (2016 Revised Version)

April 2016
Basic Law for Cyber Security (2016 Revised Version)

TechM*a*trix

◆ **Booking and sales in good shape in FY03/2016**
◆ **Recovery trend of Operating income by earnings recovery in the Healthcare field and the Software Quality Assurance field**

Booking and sales
(¥Million)

Booking and sales /Operating income

Operating income
(¥Million)

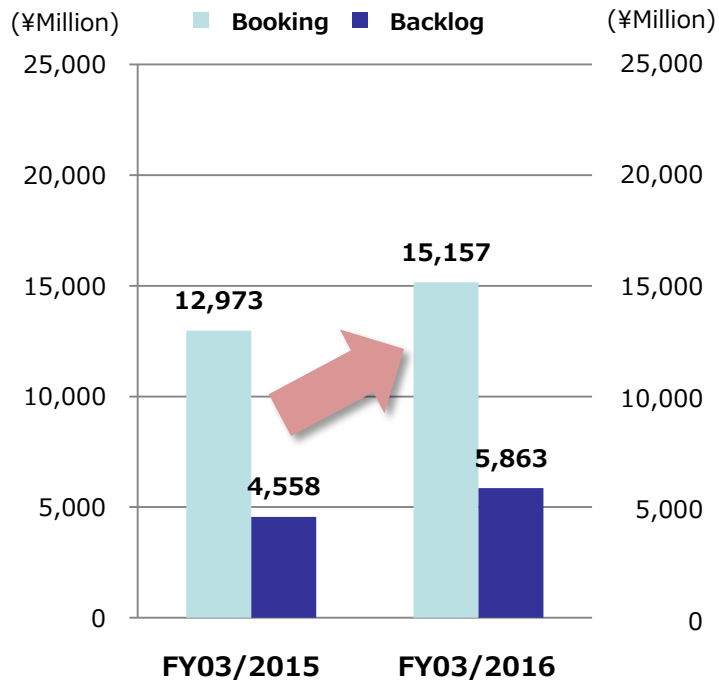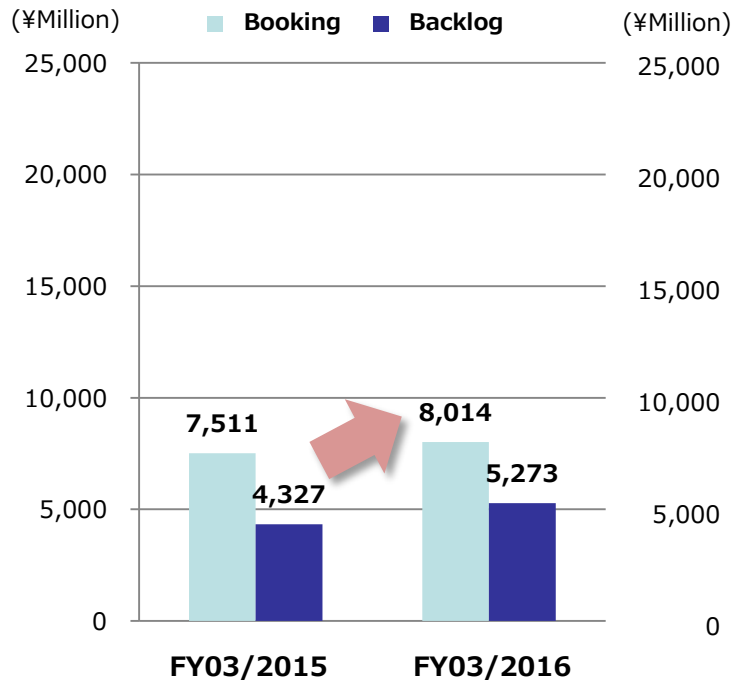|	FY03/2012	FY03/2013	FY03/2014	FY03/2015	FY03/2016
Booking	16,206	17,307	18,166	20,485	23,171
Sales	15,279	16,731	17,353	18,417	20,920
Operating income	971	1,194	1,118	1,130	1,381

■ Booking ■ Sales ━●━ Operating income

Business Highlights for the 32ⁿᵈ Business Period (Consolidated)

◆ **Information Infrastructure Business: Booking and Backlog have significantly increased by good performance of Security-related products and operation / monitoring services(16.8%/28.6%)**

◆ **Application Services Business: Backlog increased by progress of cloud businesses(21.9%)**

Information Infrastructure Business

(¥Million) ■ Booking ■ Backlog

	Booking	Backlog
FY03/2015	12,973	4,558
FY03/2016	15,157	5,863

Application Services Business

(¥Million) ■ Booking ■ Backlog

	Booking	Backlog
FY03/2015	7,511	4,327
FY03/2016	8,014	5,273

total

(¥Million) ■ Booking ■ Backlog

	Booking	Backlog
FY03/2015	20,485	8,885
FY03/2016	23,171	11,136

Business Highlights for the 32nd Business Period (Consolidated)
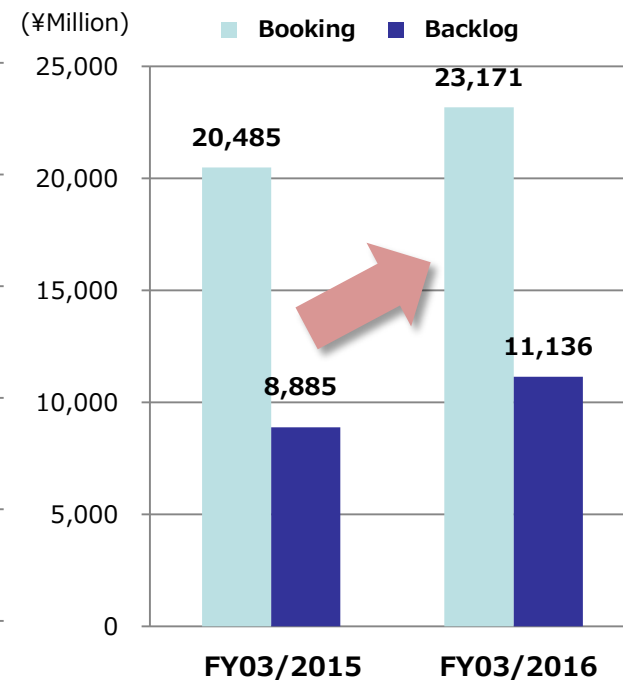
◆ Stock type sales ratio (non-consolidated)

(¥Million)
Information Infrastructure Business
Stock
Non-stock
Stock ration
10,000
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
50.0%
45.0%
40.0%
35.0%
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
FY03/2010
FY03/2011
FY03/2012
FY03/2013
FY03/2014
FY03/2015
FY03/2016
43.2%
47.1%
44.8%
43.0%
43.7%
40.2%
37.7%
3,171
2,963
3,470
3,857
3,874
4,777
6,065
2,414
2,634
2,812
2,909
3,003
3,216
3,669

(¥Million)
Application Services Business
Stock
Non-stock
Stock ration
10,000
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
50.0%
45.0%
40.0%
35.0%
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
FY03/2010
FY03/2011
FY03/2012
FY03/2013
FY03/2014
FY03/2015
FY03/2016
23.7%
29.5%
31.4%
33.3%
38.8%
41.8%
43.9%
3,972
3,416
3,528
3,805
3,490
3,478
3,726
1,232
1,431
1,612
1,903
2,212
2,501
2,911

*In the Information Infrastructure Business, the stock ratio temporarily came down due to obtaining large-scale projects

Copyright (c) 2016 TechMatrix Corporation. All rights reserved.

TechM@trix

- **Stock repurchase**
  Repurchased shares of common stock, a majority of the Company's common stock held by Rakuten, Inc., on August 21, 2015.

	As of 1Q end of FY 03/16	As of FY 03/16	Remarks
Treasury stock	216,356	3,694,391	Repurchased 3,478,000
Equity ratio	43.5%	24.8%	

	As of publication date of business forecasts for FY 03/16	As of FY 03/16	Remarks
Net earnings per share	69.33円	82.67円	Estimated based on forecasting average number of shares during period as of March 31, 2016
ROE	12.2%	16.0%	

Balance sheet

(¥Million)

	FY03/2015	FY03/2016		FY03/2015	FY03/201
Current assets	**10,791**	**12,091**	**Current liabilities**	**6,738**	**8,064**
Cash and deposits	4,291	4,698	Accounts payable-trade	1,116	1,063
Notes and accounts receivable-trade	3,489	3,491	Short-term loans payable	350	350
Other	3,010	3,901	Current portion of long-term loans payable	–	300
Noncurrent assets	**3,435**	**3,627**	Other	5,271	6,351
Property, plant and equipment	472	1,028	**Noncurrent liabilities**	**1,037**	**3,687**
Goodwill	344	229	Long-term loans payable	–	2,050
Other	830	904	Other	1,037	1,637
Investments and other assets	1,787	1,464	**Total liabilities**	**7,776**	**11,751**
			Shareholders' equity	6,422	4,005
			Total accumulated other comprehensive income	26	△53
			Total net assets	**6,451**	**3,967**
Total assets	**14,227**	**15,718**	**Total liabilities and net assets**	**14,227**	**15,718**

※ Decline of net assets was attributed to the purchase of treasury stock conducted on August 21, 2015.

Progress of the Medium-Term Management Plan "TMX 3.0" and Results for 32nd Business Period

TechMatrix
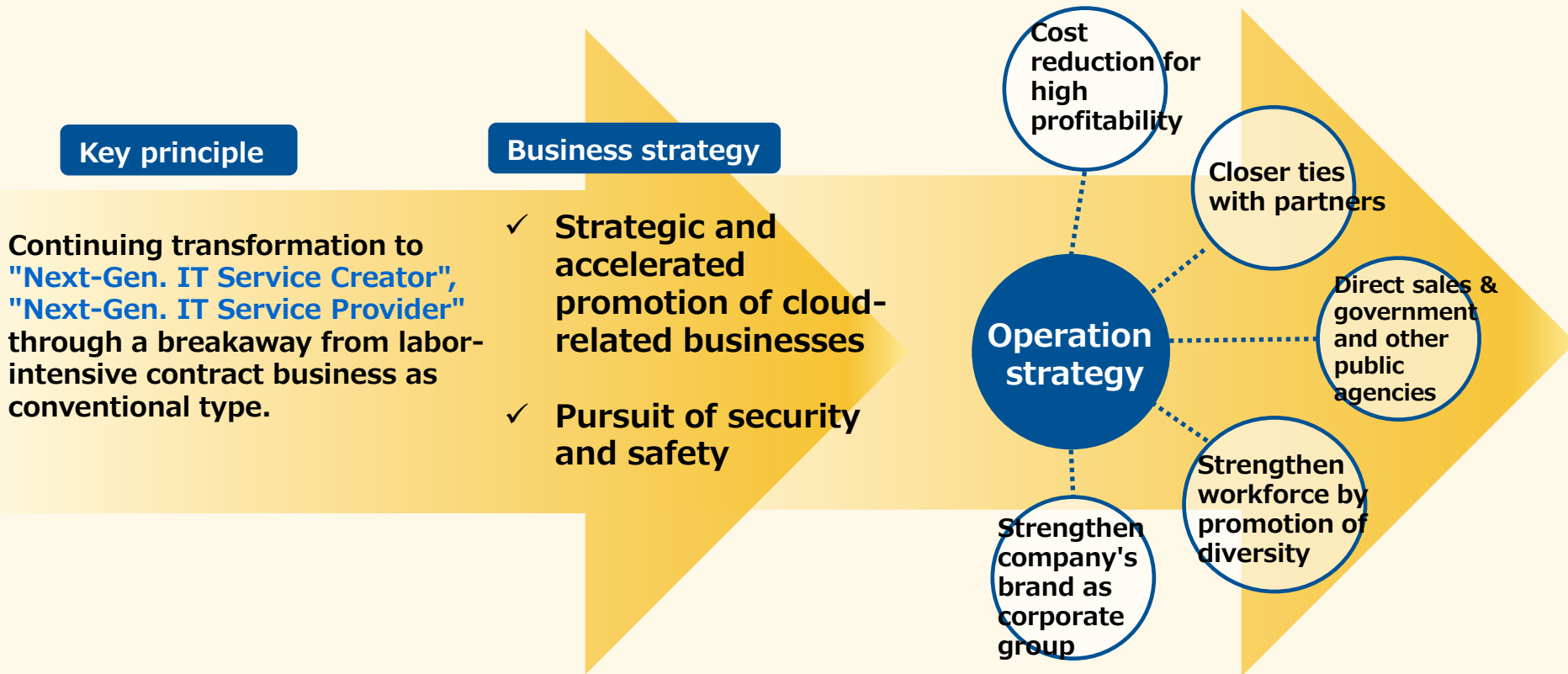
Key principle

Continuing transformation to **"Next-Gen. IT Service Creator"**, **"Next-Gen. IT Service Provider"** through a breakaway from labor-intensive contract business as conventional type.

Business strategy

✓ **Strategic and accelerated promotion of cloud-related businesses**

✓ **Pursuit of security and safety**

Operation strategy

- Cost reduction for high profitability
- Closer ties with partners
- Direct sales & government and other public agencies
- Strengthen workforce by promotion of diversity
- Strengthen company's brand as corporate group

Shareholder returns

▶ Key principle : dividend payout ratio is more than 20% at the end of fiscal year

▶ Emphasize an increase in dividends based on profit level

▶ Improve the shareholder special benefit plan

Continuing transformation to "Next-Gen. IT Service Creator", "Next-Gen. IT Service Provider"

(¥Million)

(¥Million)

Net sales — Operatting income

FY03/2011	FY03/2012	FY03/2013	FY03/2014	FY03/2015	FY03/2016 (Plan)	FY03/2017 (Plan)	FY03/2018 (Plan)
15,202	15,279	16,731	17,353	18,417	20,400	22,700	25,100
666	971	1,194	1,118	1,130	1,300	1,700	2,350
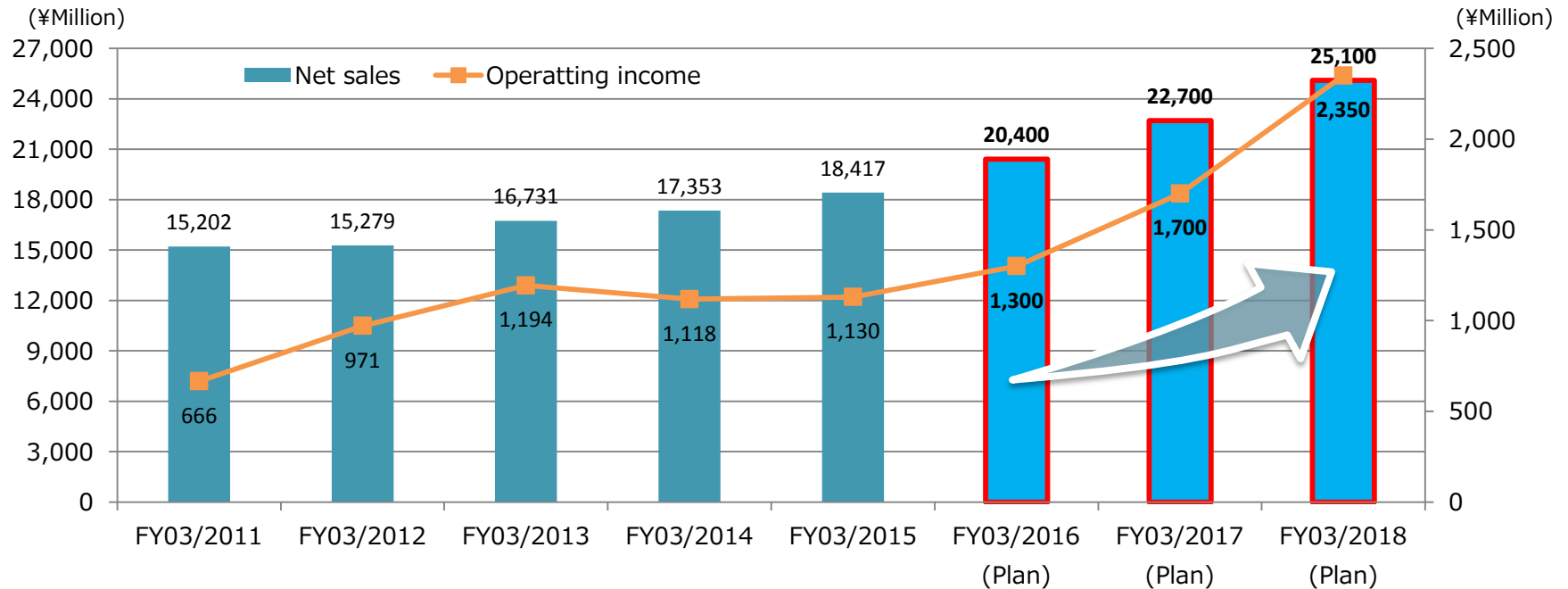
10%
Growth rate of net sales

➕

To ¥30Billion
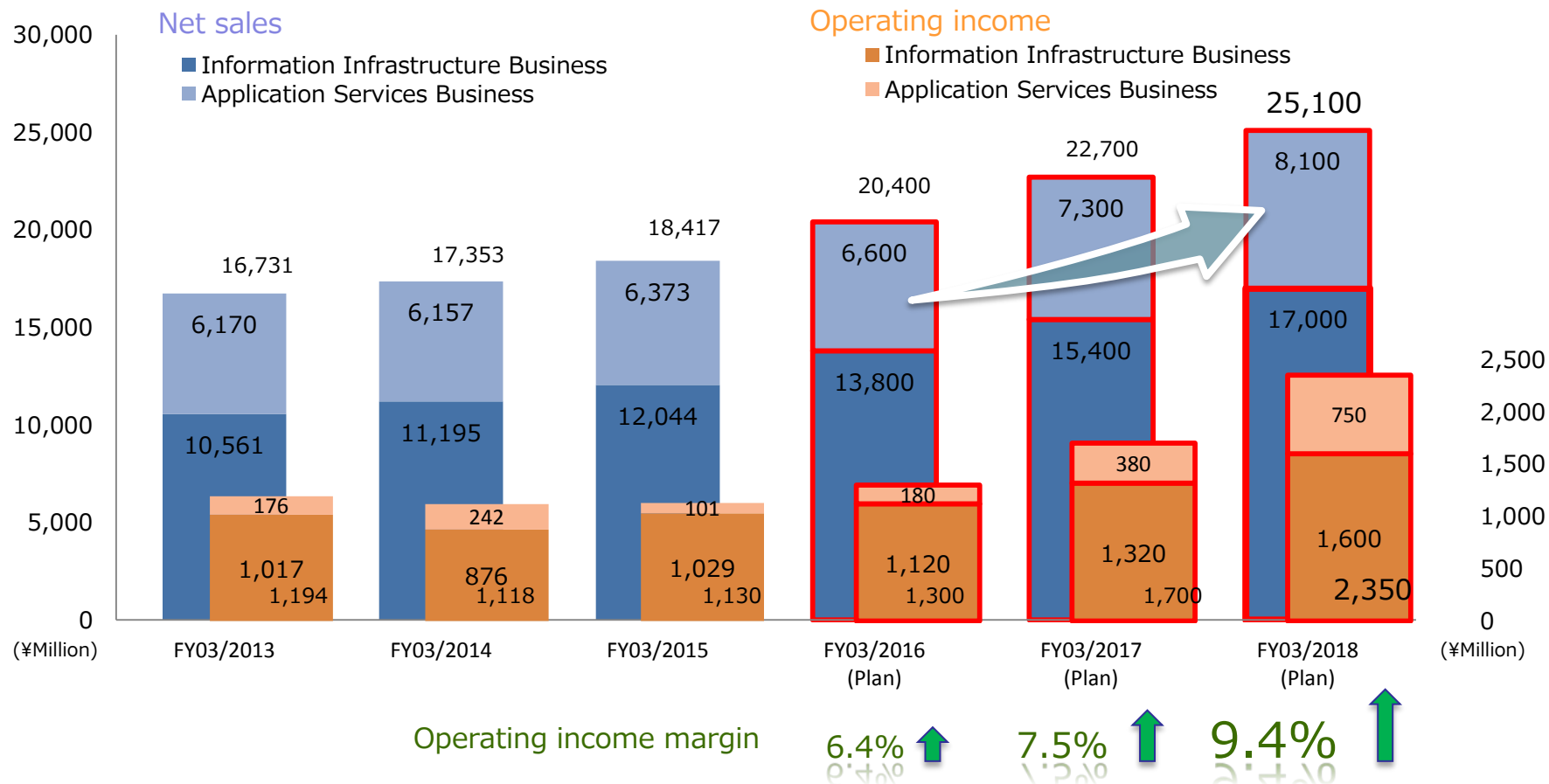Business scale may reach ¥25B-30B through M&A and expanded Biz in overseas markets

➕

50%
Stock type sales ratio (Cloud, maintenance, operation and monitoring services)

➕

10%
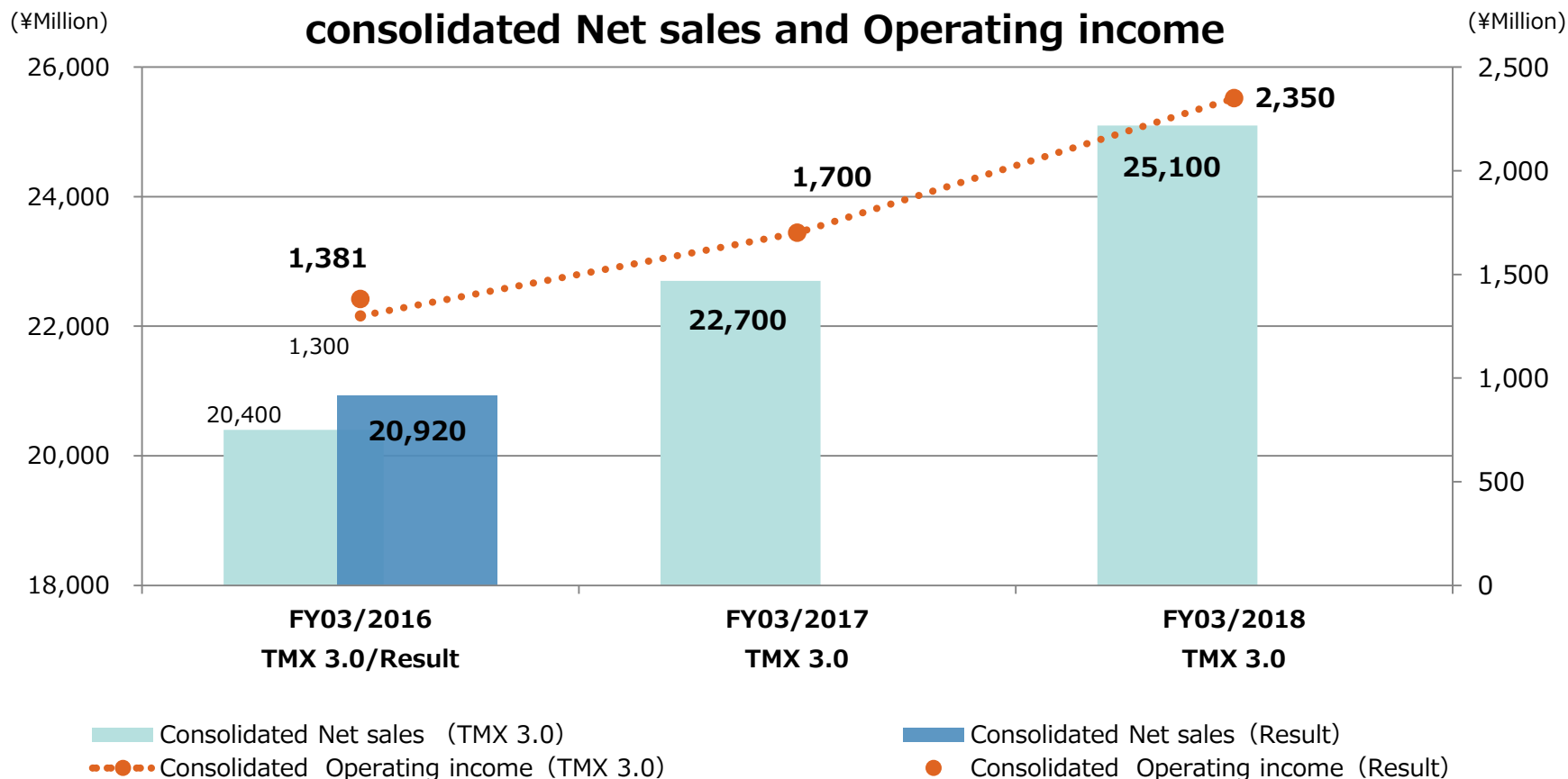Challenge to operating income margin of 10%

Progress of the "TMX 3.0" and Results for 32nd Business Period

Evolution for a stronger company materializing sustainable growth

Net sales
- Information Infrastructure Business
- Application Services Business

Operating income
- Information Infrastructure Business
- Application Services Business

Year	Net sales total	Application Services	Information Infrastructure	Op. income App.	Op. income Info Infra.
FY03/2013	16,731	6,170	10,561	176	1,017 / 1,194
FY03/2014	17,353	6,157	11,195	242	876 / 1,118
FY03/2015	18,417	6,373	12,044	101	1,029 / 1,130
FY03/2016 (Plan)	20,400	6,600	13,800	180	1,120 / 1,300
FY03/2017 (Plan)	22,700	7,300	15,400	380	1,320 / 1,700
FY03/2018 (Plan)	25,100	8,100	17,000	750	1,600 / 2,350

(¥Million)

Operating income margin 6.4% ⬆ 7.5% ⬆ 9.4% ⬆

◆ **Net sales was higher than the target figure in "TMX3.0"（2.5%UP)**
◆ **Operating income was higher than the target figure in "TMX3.0"（6.2%UP)**

Plan and Result of consolidated Net sales and Operating income

（¥Million）

（¥Million）

| | Consolidated Net sales （TMX 3.0） | Consolidated Net sales（Result） |
| Consolidated Operating income （TMX 3.0） | | Consolidated Operating income（Result） |

TechM@trix

◆ Core business strategy

Item	Valuation	Description
Strategic and accelerated promotion of cloud-related businesses		
Profit contribution by the cloud business (Realize profitability of the healthcare cloud business)	◎	Steadily increased bookings as planned
Turn our cloud service into a platform (diversification)	◎	Commenced new services on NOBORI platform
Establish cloud business in overseas (Asian) market (At first, the success of the joint venture in China)	○	Established joint venture company in China
Quality improvement for cloud operation (Exponential improvement of operational skills)	○	Progress continuously improvement
Strategic application of virtualization technologies (Cloud first)	○	Establish Solution Incubation Team(SIT)
Analysis of Big data gathered by the cloud (Secondary use of the data)	○	Increasing inquiries about BI
Pursuit of security and safety		
Enhancement of defenses against cyber-attacks and provide as one-stop service	◎	Enhanced security-related solution
Design, construction, maintenance, operation and monitoring services Realize value chain of automatization	◎	Expanded SOC services (Security Operation Center)
Realize functional safety of embedded software for IoT (Internet of Things)	○	Solution for IoT field
Contribute to safety and security within Internet-based society (accumulation of knowledge as a professional group in the Technology for Information Security and Software Quality Assurance field)	○	Increased inquiries for consulting services on medical equipment

◆ Operation strategy

Item	Valuation	Description
Operation strategy		
Cost reduction for high profitability		
‣ Promote the active utilization of offshore development	○	Alliance with Vietnamese company progressed
‣ Improve operation efficiency by integrating the office space of Head Office	◎	Integrated and moved
‣ Transform business model without monotonic increase of human resources	○	Stock ratio increased
Closer ties with partners	○	Progress in each Business unit
Strengthen direct sales. Penetrate deeply into the market for the government and other public agencies	◎	Orders from governments and other public agencies in good shape
Strengthen workforce by promotion of diversity	△	Improved but slow
Strengthen company's brand as a corporate group	△	Scheduled Web page renewal

Business Topics

Business topics for 32nd Business Period

Date	Contents
May	Concluded joint-venture contract for healthcare information service in China.
	Concluded distributorship agreement with Aruba Networks.
	Commenced the provision of the new security product "Traps".
	Announced the Medium-term Management Plan "TMX3.0"
	CASAREAL joined Apple Consultants Network
June	Notice regarding transition to a Company with a Board with Audit Committee.
	CROSS HEAD made investment in Canada-based Inuvika, Inc.
	Commenced the provision of Understand 4.0 of the static code analysis tool.
August	Repurchase of treasury stock from Rakuten.
September	Commenced the provision of the FastHelp5.1 as a new version of CRM system for contact centers.
	Commenced the provision of "Parasoft DTP" from U.S.-based Parasoft Corp., a development testing platform for supporting large-scale and high-quality software development.
	Okinawa Cross Head launched "Reemo," a remote desktop service.
	Commenced the provision of high-performance Automated Testing Tools from Austria-based Ranorex GmbH.

Business topics for 32nd Business Period

Date	Contents
October	Concluded distributorship agreement in Thailand with Transcosmos (Thailand) Co., Ltd. for "Fast Series"
November	Formulated basic policy for Japan's Corporate Governance Code
January	"RAKURAKU-Backoffice" started to correspond to "ATODENE"
February	Launched the latest version of the "FINCAD Analytics Suite" to evaluate and analyze financial products under the negative interest rate policy
April	Commenced the provision of "PINsafe" with two factor authentication
	Concluded distributorship agreement with Nihon Unisys, Ltd. for "Fast Series"
	Commenced the provision of "NOBORI-PAL" as a new cloud platform service for healthcare information
	Commenced the provision of "∴TRINITY " for BIG-IP managed service
May	Constructed FAQ system for Sasebo-city in Nagasaki pref.
	Commenced the provision of "Proofpoint" as a next generation mail security solution

In August, Established joint-venture company for healthcare information service in China.

(Concluded the contract in May)

Point!

- ✓ Established Beijing HealthTech Medical Information Technology Co., Ltd. with a Chainese company
- ✓ Enter teleradiology business in China where people have a high expectation for state-of-the-art medical technology in Japan
- ✓ Remote diagnosis available from Japan for medical images taken in China

In September, commenced the provision of high-performance Automated Testing Tools of Ranorex

Point!

- ✓ **Entered into exclusive distributorship agreement with Austria-based Ranorex GmbH.**

- ✓ **Breakthrough testing tool that can conduct effective testing process without professional knowledge**

- ✓ **Ranorex acquired a good reputation and the launch event had a full audience on October 30**

In October, Concluded distributorship agreement in Thailand with Transcosmos (Thailand) Co., Ltd.

Point!

- ✓ Distributorship agreement in Thailand for "Fast Series," CRM products for contact centers.
- ✓ Accelarate customer acquisition through the cooperation with Transcosmos as a leading service providor for contact centers.

In February,
Held Techmatrix CRM FORUM 2016

Point!

✓ **Held Techmatrix CRM FORUM 2016, one of the biggest events in the Japanese contact center marketplace, on February 10 in cooperation with 28 sponsor companies and received about 1,600 attendees**

In April
Held ITEM2016

Point! The International Technical Exhibition of Medical Imaging 2016
On April 15–17
Received 20,864 attendees

TechM@trix

Point! Held Japan IT Week Spring 2016 for security solution and softoware quality asurance solution on May 11-13
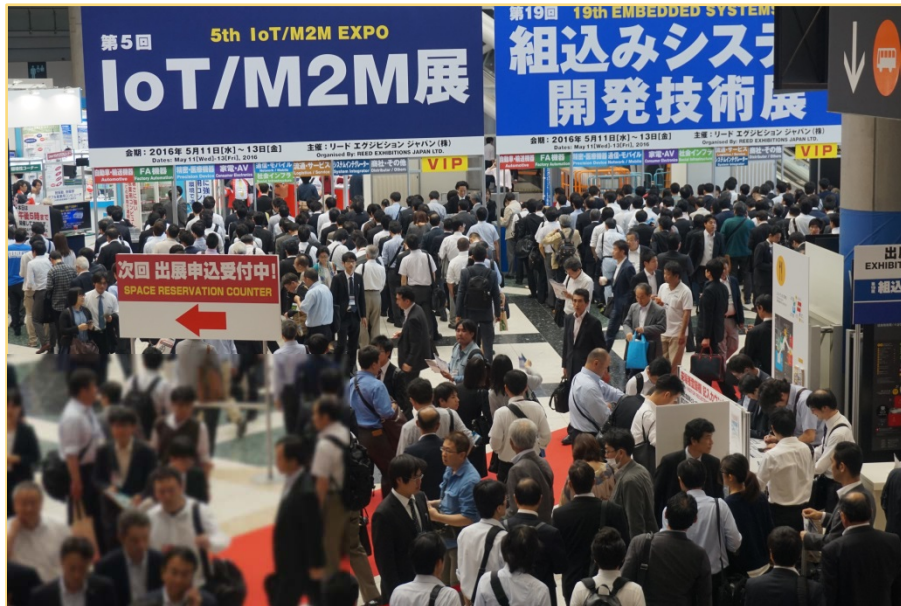
"Next 30 Years Project" for future Techmatrix

Point!
- ✓ We celebrated the 30th anniversary since our foundation
- ✓ We started a project consisting of diverse employees regardless of his/her profession, division, gender and generation
- ✓ The menbers discuss and formurate many ideas and plans for Next Gen. Techmatrix on their own initiative

● **1st Techmatrix goupe family day**

Invite families of Techmatrix's emploees to our office

● **Branding**

Make Techmatrix's brand messege

Etc・・・・・

"For Next Gen. Techmatrix"

Business Models

Healthcare field

Point!
- ✓ **Turn NOBORI into a platform (diversification)**
- ✓ **Increased a number of services form N-PAL partners**

Advanced Media, Inc. :
Speech-recognition service for medical doctors 『AmiVoice CLx®』

Techmatrix :
Examination reservation service 『TONARI』

Intrasense SA :
3D medical images workstation 『myrian®』

Techmatrix :
Outward image viewing in an emergency 『TSUNAGU』

N-PAL :
"Gather useful services into the Cloud"
Provide various applications for NOBORI users

CRM field

Point! ✓ **Enhancing the competitiveness of customers by CRM system for contact centers**

Contact center

Marketing/Promotion

Phone

Mail

FAX

Web

Customer

FastHelp5

FastHelp Pe

FastPromo

effectiveness

**Job efficiency
Improve CS
quality improvement**

effectiveness

**Profitability
CRM promotion
quality improvement**

Web/FAQサイト

外部 FAQ

内部 FAQ

Web フォーム

FastAnswer

effectiveness

self-contained, Job efficiency, Improve CS, quality improvement

Cloud type

On-premise type

Network & Security field

Point! ✓ **One-stop solution from Techmatrix**

TRINITY

Customer

Techmatrix SOC
"Security Operation Center"

Monitoring Center

➢ **Manned monitoring 24/365**
➢ **Multitier(operation/analysis)**
➢ **Professional service**
➢ **Biometric identification**

Security monitoring service

❌ Alert
⚠️ Warning
✅ No problem

Operation team   **Analyst team**

24/365
Security Monitoring
Network Monitoring
First level support

Defense solutions

Knowledge base operation

NOC   SOC

Detect alert
Accumulate knowledge   Analysis
Measures

One-stop solution
 One-stop solution for system design, construction, maintenance, operation and monitoring services.

Professional service with expert knowledges
   Techmatrix provides security monitoring services based on its in-depth knowledge on the products it delivers, although other security vendors provide basic services for a wide variety of products.

Software Quality Assurance field

Point!

✓ **Every internet-connected device can be a target for cyber-attacks in the IoT era.**

◆ **Solution for test, systems design and version control system**

◆ **Integration of infrastructure, training and operation support for development process**

◆ **Support for substantive improvement of software quality and productivity enhancement**

• **Improve quality of embedded software**
• **Comply with functional safety standards**

EC&BI field

Point!

✓ **Provision of cloud services based on open-source software**

✓ **Analysis for big data accumulated on the cloud**

✓ **Provision of risk management systems based-on financial engineering**

EC, Smart phone

Analysis

Big data
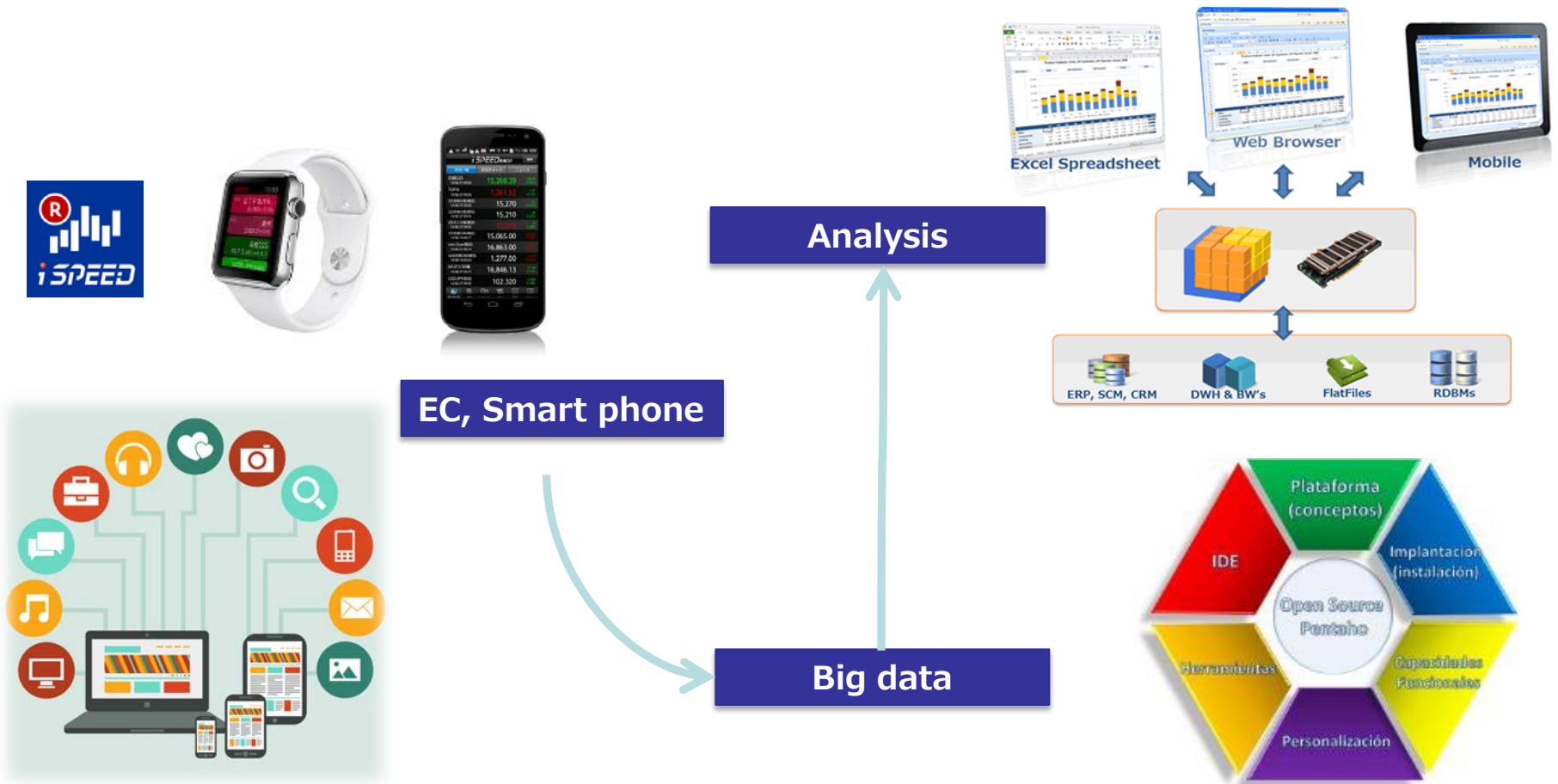
Market Conditions for our business

◆ Forecast ¥2,000 billion in FY2019 for cloud market

(¥Billion)

Legend:
- ■ Private cloud (Hosted, On-premise, community)
- ■ Public cloud (SaaS, IaaS/PaaS)

*Service provider's sales. Estimate as of Jan.2016
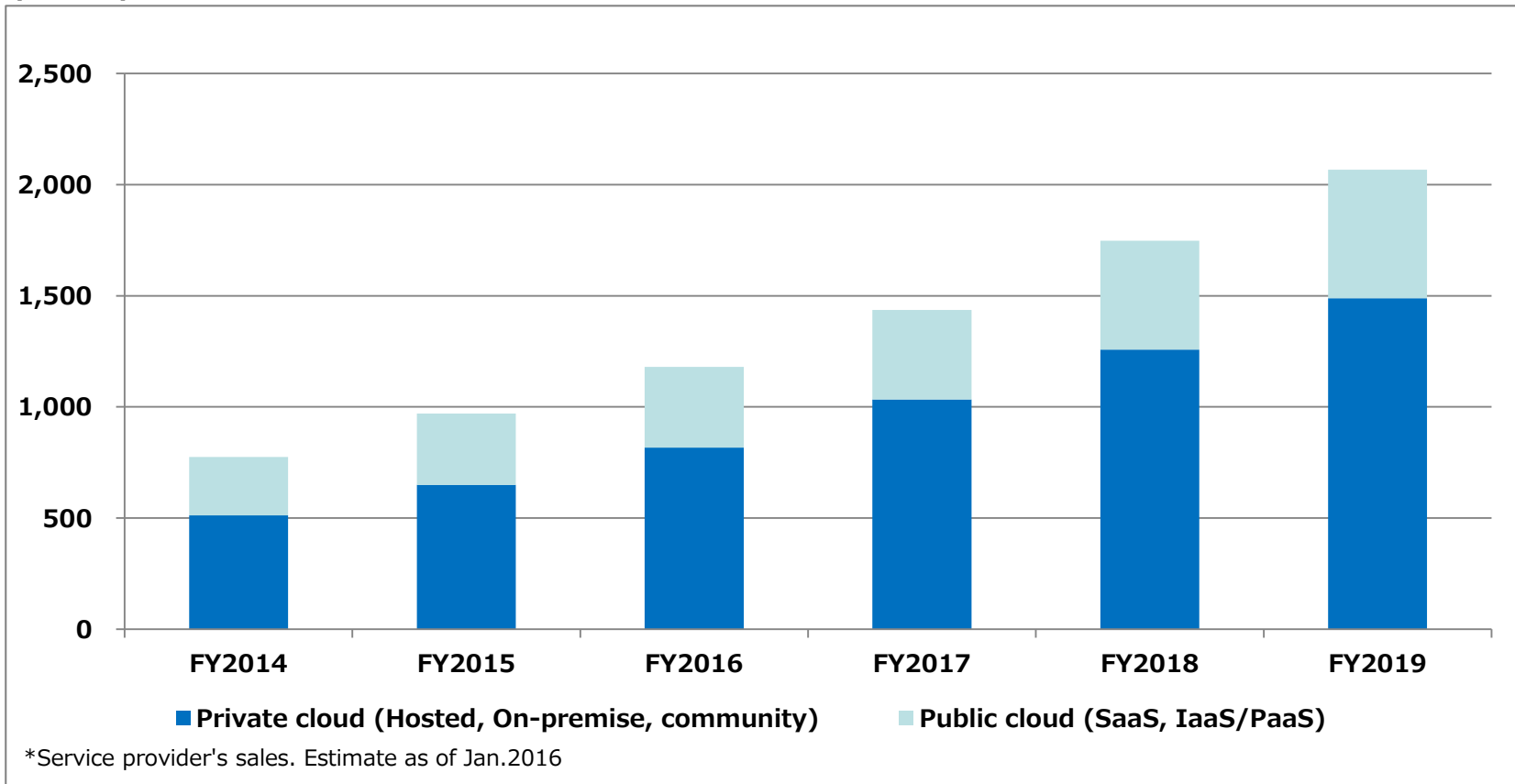
◆**Domestic cloud market size was ¥774.9 billion (23.8% up year on year). Forecast ¥969.6 billion in FY2015 and expand to ¥2,067.9 billion in FY2019.**

Reference : Cloud business market report 2015(24.Sep.2015) by MM Research Institute

TechM@trix

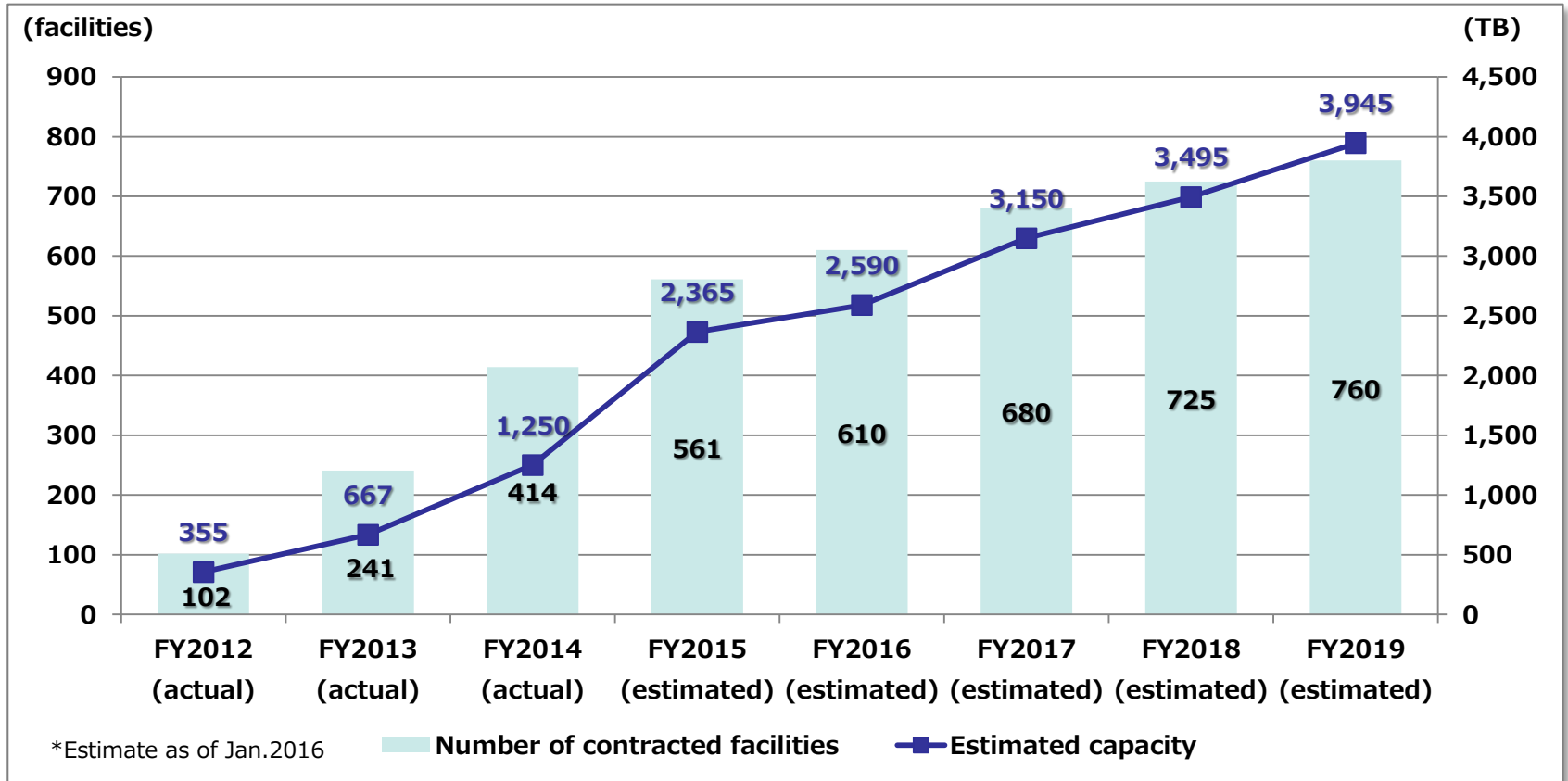## Cloud PACS market size estimate

(facilities) | | | | | | | (TB)

Data shown in the chart:

Fiscal Year	Number of contracted facilities	Estimated capacity (TB)
FY2012 (actual)	102	355
FY2013 (actual)	241	667
FY2014 (actual)	414	1,250
FY2015 (estimated)	561	2,365
FY2016 (estimated)	610	2,590
FY2017 (estimated)	680	3,150
FY2018 (estimated)	725	3,495
FY2019 (estimated)	760	3,945

*Estimate as of Jan.2016   ▢ Number of contracted facilities   ━■━ Estimated capacity

◆**Number of contracted facilities using cloud was 561 as of the end of FY2015 in Japan.**
◆**Techmatrix has successfully contracted with about 450(accumulated) as of the end of FY2015.**

Reference : Medical Imaging Systems and PACS Markets 2015(Jan. 2016) by Yano Research Institute
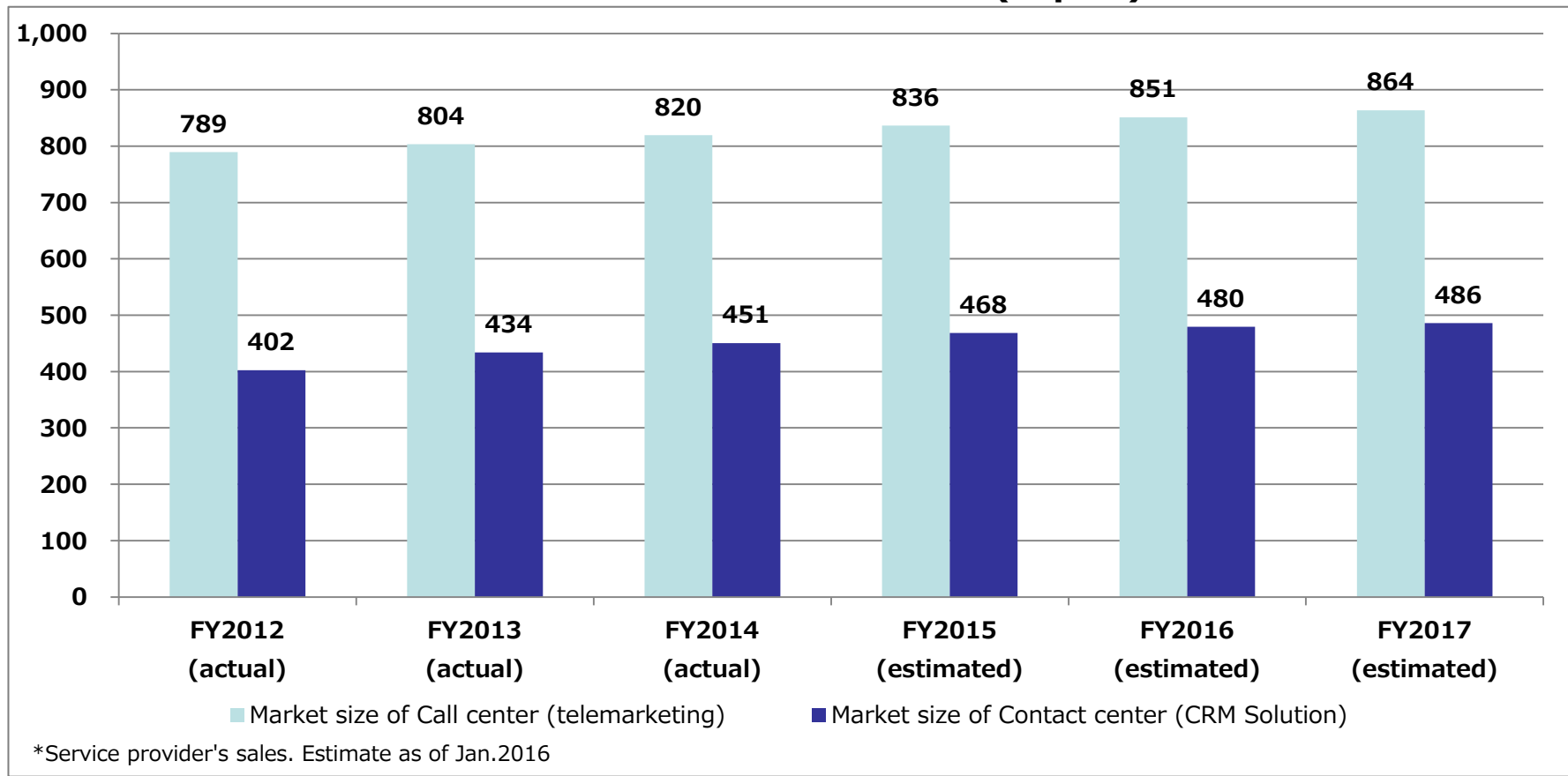
Type of PACS Cloud

Cloud type	Brief summary	Feature	Configuration image	"NOBORI"
TYPE 1	Store both short term and long term data in a in-house server + data center (dual storage for all data)	Data back up by data center Additional cost		–
TYPE 2	Store short term data in a in-house server + long term data in data center	High frequency use data in hospital Additional cost		–
TYPE 3	All data in data center without in-house server (only cash in NOBORI appliance)	No additional cost and lower price range		◎

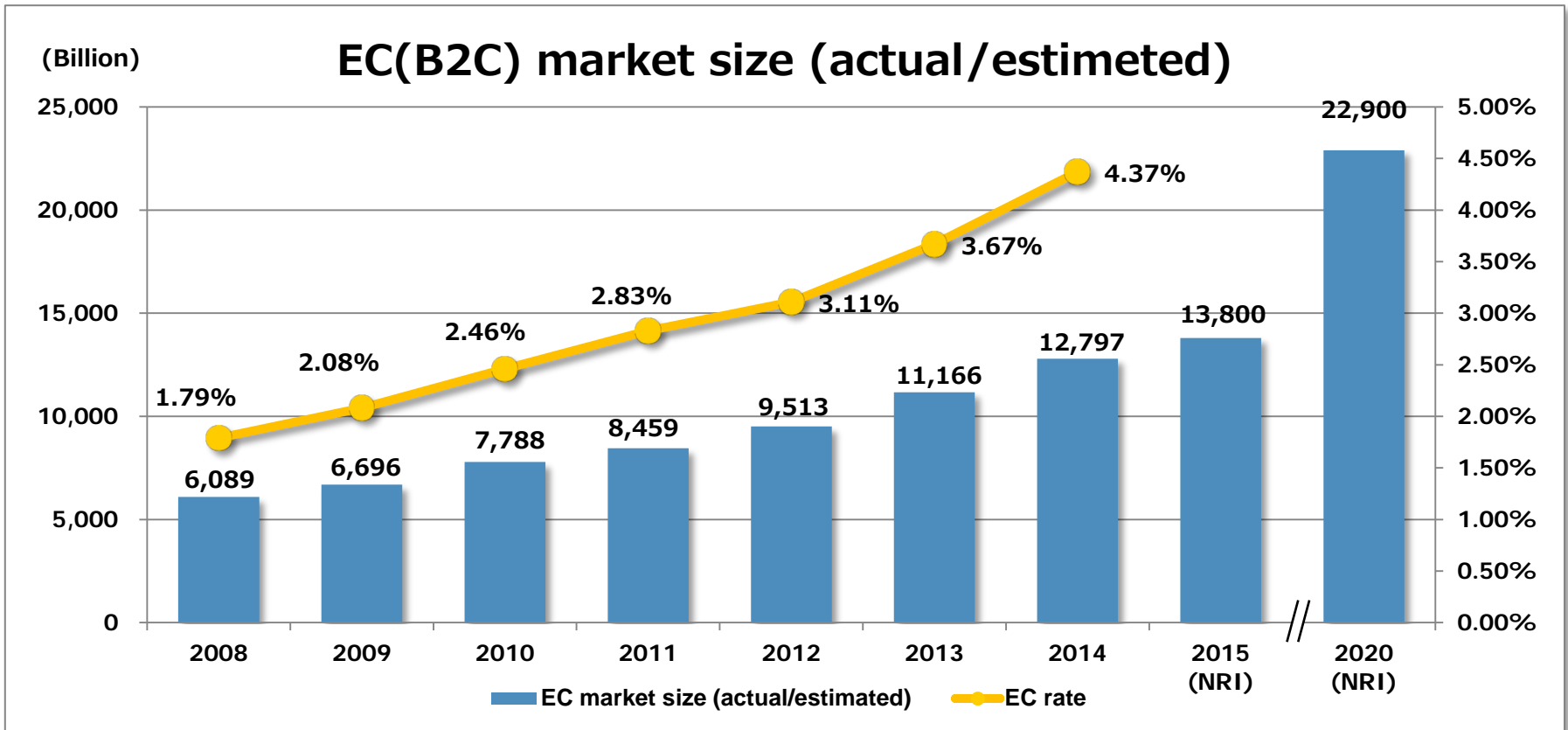◆Techmatrix is ahead in the healthcare cloud business with "NOBORI" which is installable at a low price and in short term.

TechM@trix

CRM software market size (Japan)

(¥Billion)

Chart: CRM software market size (Japan)

	FY2012 (actual)	FY2013 (actual)	FY2014 (actual)	FY2015 (estimated)	FY2016 (estimated)	FY2017 (estimated)
Market size of Call center (telemarketing)	789	804	820	836	851	864
Market size of Contact center (CRM Solution)	402	434	451	468	480	486

■ Market size of Call center (telemarketing) ■ Market size of Contact center (CRM Solution)

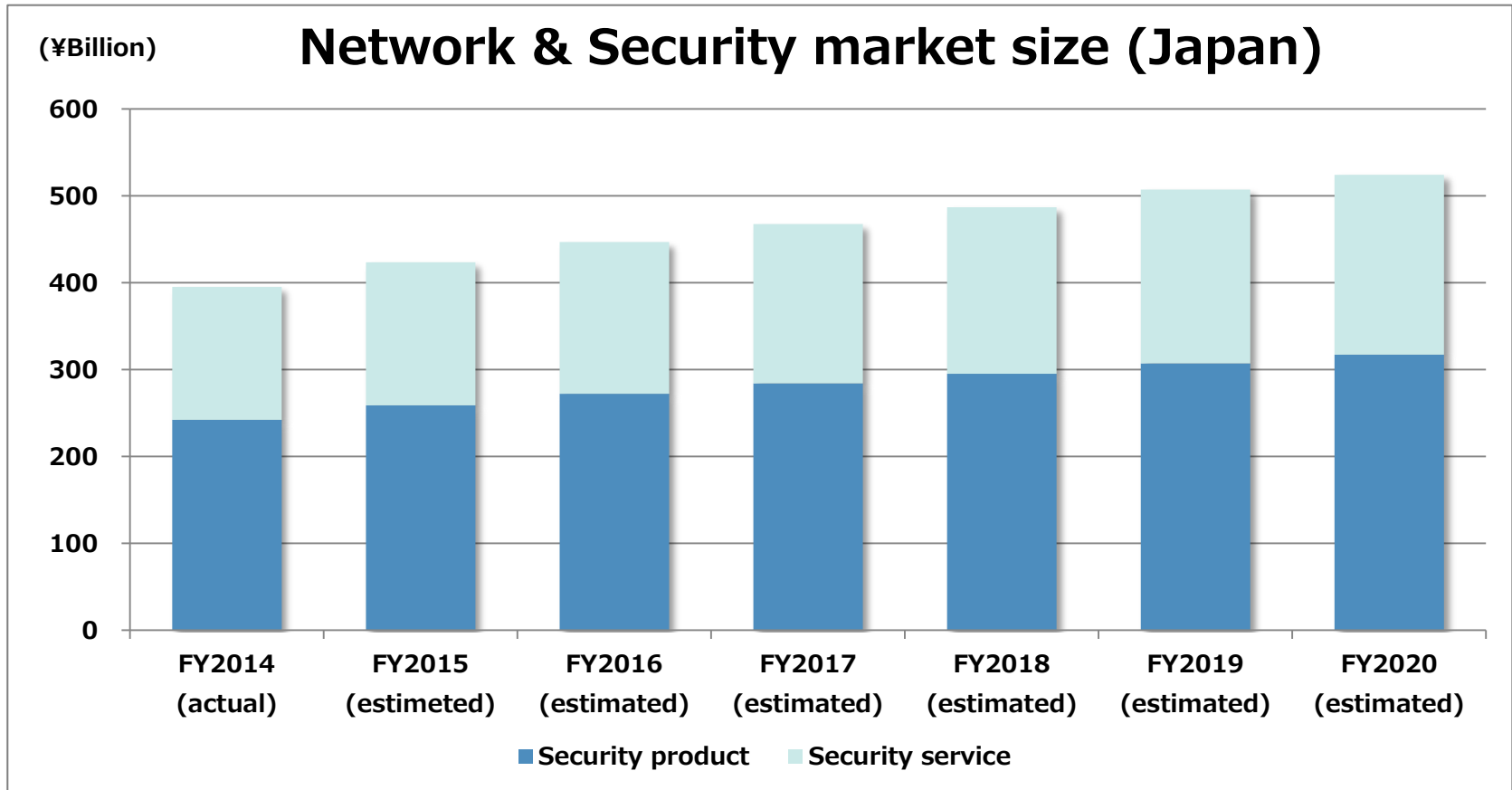*Service provider's sales. Estimate as of Jan.2016

◆ **Market size of Call center (telemarketing) is forecasted to grow at average rate of 1.8% each year form FY2012 to FY2017 and to ¥863.7 Billion as of FY2017**
◆ **Market size of Contact center (CRM Solution) is forecasted to grow at average rate of 3.9% each year form FY2012 to FY2017 and to ¥486 Billion as of FY2017**

Reference : Call Center (Telemarketing)/Contact Center/CRM Solution Market in Japan: Key Research Findings 2015 by Yano Research Institute

Market Conditions

TechM*a*trix

EC(B2C) market size (actual/estimeted)

(Billion)

Year	Value	EC rate
2008	6,089	1.79%
2009	6,696	2.08%
2010	7,788	2.46%
2011	8,459	2.83%
2012	9,513	3.11%
2013	11,166	3.67%
2014	12,797	4.37%
2015 (NRI)	13,800	
2020 (NRI)	22,900	

Legend: ■ EC market size (actual/estimated)　—● EC rate

◆**Market size rerated to EC was 14.6% up in 2014 year on year. Increased EC rate to 4.37% in 2014.**
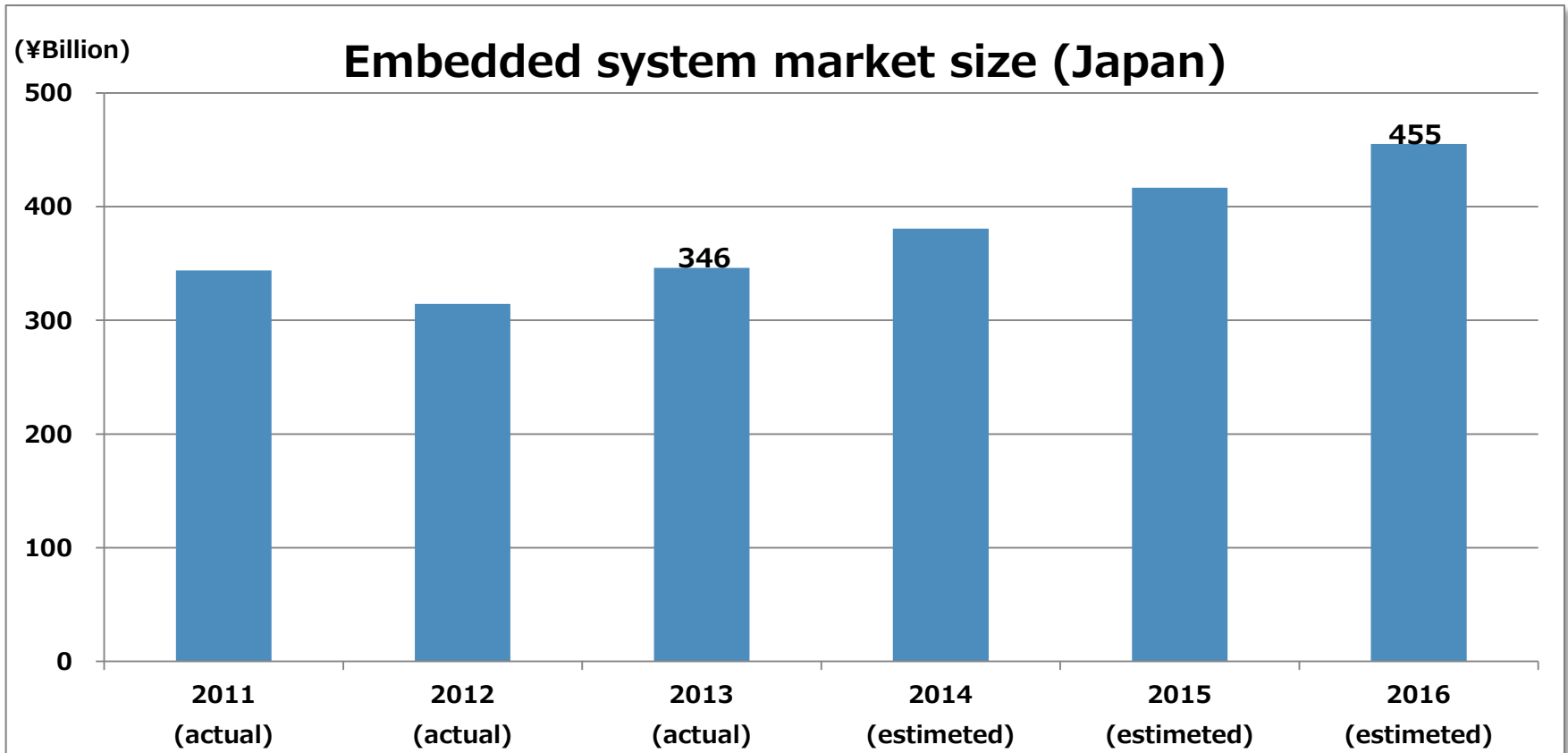◆**Market size will be 23,000 billion in 2020 (NRI)**

Reference: "The E-Commerce Market Survey" by Ministry of Economy, Trade and Industry, "IT market trend survey to 2020" by Nomura Research Institute

Network & Security market size (Japan)

(¥Billion)

Chart showing stacked bar graph with Security product and Security service for fiscal years:
- FY2014 (actual)
- FY2015 (estimeted)
- FY2016 (estimated)
- FY2017 (estimated)
- FY2018 (estimated)
- FY2019 (estimated)
- FY2020 (estimated)

Legend: ■ Security product ■ Security service

Y-axis: 0, 100, 200, 300, 400, 500, 600

◆Forecasted Networks Security business market in Japan expanding from ¥395.1 billion in FY2014 to ¥524.1 billion in FY2020.
◆High growth rate on average at 4.8% has been forecasted.

Reference : Network Security business report 2015 by Fuji Chimera Research Institute

TechM@trix

Embedded system market size (Japan)

(¥Billion)

Chart showing embedded system market size in Japan:
- 2011 (actual): ~343
- 2012 (actual): ~314
- 2013 (actual): 346
- 2014 (estimeted): ~381
- 2015 (estimeted): ~417
- 2016 (estimeted): 455

Y-axis: 0, 100, 200, 300, 400, 500

◆As for the embedded system market, it is expected that an annual rate of over 10% of growth continues after FY2013.

◆It is expected that the market grows up steadily from 2013 in growth of system development for smartphone, digital appliance, and related in automobile, despite the embedded system market which was sluggish by recession after Lehman shock.

Reference : Embedded system market 2014 (Mar.2014) by FUJI KEIZAI CO., LTD.

QUESTION

TechMatrix Corporation

Planning and accounting division Corporate planning team
TEL:03-4405-7802　ir@techmatrix.co.jp